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Statement of

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Acting Commissioner
Bureau of Labor Statistics

before the

Joint Economic Committee

UNITED STATES CONGRESS

Friday, March 8, 2002

Mr. Chairman and Members of the Committee:

I appreciate this opportunity to comment on the labor market data that we released this morning.

We are reporting today that nonfarm payroll employment was up by 66,000 in February, following losses that averaged 146,000 a month between the beginning of the recession in March 2001 and January 2002. The largest increase occurred in retail trade, but we suggest caution in interpreting that figure as a sign of strength for that industry, as I will explain in more detail later in this statement. Aside from retail trade, nonfarm payroll

employment on net was little changed in February. Employment did rise in health services, and mild weather helped boost the number of jobs in construction. There were employment declines in manufacturing, mining, wholesale trade, and finance. The unemployment rate was essentially unchanged at 5.5 percent.

Looking in more detail at the data from our survey of employers for February, job losses continued in manufacturing (-50,000), although at about half the average pace of the prior 12 months. Employment in motor vehicle manufacturing increased by 26,000 over the month, reversing a decline of similar magnitude in January. Most of the February increase stemmed from the reopening of automobile plants that had shut down for inventory control in January. Still, employment in auto manufacturing is down 63,000 over the year. Elsewhere in transportation equipment, job losses in aircraft manufacturing have totaled 31,000 in the last 4 months, 8,000 of which came in February. Sizable employment declines continued in printing and publishing (-13,000) and in electrical equipment (-22,000). The February decline of 14,000 jobs in industrial machinery employment was below the 21,000 average of the prior 12 months. Primary metals and fabricated metals also had smaller employment declines in February than in recent

months. The factory workweek edged up 0.1 hour to 40.7 hours, and factory overtime was steady at 3.9 hours.

Mining employment declined sharply in February (-6,000), with most of the losses in oil and gas extraction. Since last September, the oil and gas industry has lost 9,000 jobs.

Job losses in wholesale trade (-15,000) accelerated in February after 2 months of smaller declines. Most of the loss was concentrated in durable goods distribution.

Employment in finance fell by 11,000 in February, the first loss in this industry since last July. Within finance, job losses continued in security brokerages, where employment has fallen by 45,000 since the industry's peak last March. Employment in mortgage brokerages was up slightly in February. In contrast to the decline in finance, real estate added 5,000 jobs, its first substantial increase since September.

Construction employment increased by 25,000 in February, after seasonal adjustment, partly offsetting a large decline in January. Unusually mild and dry weather may have contributed to employment growth in heavy construction (12,000) and special trade contractors (14,000)--particularly in the weather-sensitive concrete component. Within general building contractors, continued

gains in residential contractors offset nonresidential losses.

In February, retail trade employment rose by 58,000 (seasonally adjusted). Large seasonal layoffs always occur in retail trade in January and February, following the holiday-season employment buildup in the preceding months. Holiday hiring in late 2001, however, was well below normal. As a result, there were fewer workers to lay off in January and February. The relatively small layoffs in those 2 months appear in our data as seasonally adjusted increases, totaling 99,000. A clearer perspective on the industry's trend requires a longer-term view, which shows that retail employment is down by 142,000 since last July.

Employment in services edged up by 40,000 in February. Gains in December, January, and February totaled 132,000, following losses in October and November that totaled 245,000. In February, help supply services did not lose jobs for the first time in nearly a year and a half. Losses from September 2000 through January 2002 had totaled 669,000. Modest gains also were posted in education, engineering and management services, and hotels. Employment in health services continued its strong growth trend, with an above-average gain of 34,000 jobs in February, including 13,000 in doctors' offices and clinics.

Within transportation, job losses in the passenger component of air transportation have slowed dramatically in the past 2 months, following a decline of 87,000 in the fourth quarter of 2001.

Average hourly earnings of production or nonsupervisory workers in the private sector rose 2 cents to \$14.63 in February. This followed a gain of 3 cents in January (as revised). Hourly earnings increased by 3.7 percent from February 2001.

Turning to some of the measures obtained from the survey of households, the unemployment rate was essentially unchanged at 5.5 percent in February, as was the number of unemployed persons, at 7.9 million. The jobless rate for Hispanics declined in February, while the rates for adult men, adult women, teenagers, whites, and blacks were little changed. Looking at another measure of labor underutilization, the number of part-time workers who would have preferred full-time work rose by 255,000 to 4.2 million, following a decline in January.

The labor force increased by 821,000, reflecting a large increase in employment (851,000) in February and reversing a substantial decline in January. Both the labor force participation rate (66.7 percent) and the employment-

population ratio (63.0 percent) rose over the month, offsetting declines in January.

To summarize, the jobless rate was essentially unchanged in February at 5.5 percent. The number of workers on nonfarm payrolls rose slightly in February, after 6 months of losses that totaled 1.3 million.

My colleagues and I now would be glad to answer your questions.